



## SENATOR AL FRANKEN FORUM ON FINANCIAL REFORM

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### **Introduction**

Thank you for the honor and opportunity to testify before you today. I would like to commend you, Senator Franken, for the courage you have shown in the face of great pressure to maintain your unwavering support of consumers and of the “*Restoring American Financial Stability Act of 2010*.”

My primary role as a Legal Aid attorney is to conduct state and federal legislative advocacy. In that role, I have had a front row seat as a witness to the devastating results on families and the economy wrought by the financial meltdown.

In my limited time, I would like to focus on just a few of the many ways in which this bill will provide protections and benefits for Minnesota consumers.

First, it bans loans unless the lender verifies the borrower’s ability to repay the loan.

Second, it provides the Bureau of Consumer Protection with vital rulemaking power to fulfill one of its duties: to protect consumers from “unfair, deceptive, or abusive acts and practices and from discrimination.”

Third, it establishes Office of Fair Lending and Equal Opportunity within the Bureau, charging it with improving “access to fair and affordable credit for traditionally underserved communities.”



Fourth, it sets up a financial Victims Compensation Fund to ensure that when the perpetrators are long gone, the victims may have hope of relief.

Fifth, it creates an Office of Financial Literacy within the Bureau to help consumer understand the byzantine financial system and its frequently confusing offers, contracts and products. The importance of this function cannot be overstated.

And finally, it establishes an Office of Financial Research to develop risk assessment tools and charges the Bureau of Consumer Financial Protection with researching, analyzing and reporting on market developments to act as “early warning systems.” The canary in coal mine function is essential if we are going to head off future crises like this one.

Let me offer one concrete example of a client who might have avoided a tragic fate had this law been in place when the predators came to his door.

Our client was a 70 year old African American man suffering from a mental disability, who achieved only a second grade education. The only thing his parents left him was their house – owned free and clear. Between 2002 and 2007, he was preyed upon by an unscrupulous broker who convinced him to refinance his house four times, telling him that he didn’t need to read the documents or get anyone to help him understand them. His last loan was an Option Arm that escalated to a payment beyond his ability to pay.

I have been privileged to work with people like Professor Prentiss Cox and others in passing some landmark consumer protection legislation in Minnesota, for example the predatory lending law that forms the basis for some of the provisions in this bill and the Debt Settlement Act that is a national model. Regulation of the financial industry does not eliminate consumer choice; rather it levels the playing field to ensure marketplace fairness.



In closing, I am confident that the bill that goes to the President will provide the appropriate regulatory structure to both predict and react to toxic financial schemes that in the past permitted the proliferation of questionable financial products designed to generate profitable commissions, excessive fees, and untold wealth for the lenders while placing unfair and undue risk on borrowers, destroying families, and crippling our economy.

An excerpt from the retirement speech given on the floor of the Minnesota Senate just two weeks ago by Senator Steve Dille, a Republican from Dassel, Minnesota serve as a fitting conclusion to this testimony. Senator Dille observed that we have the luxury of freedom in American not in spite of, but BECAUSE OF regulation.

Thank you, Senator Franken, for the opportunity to testify today. Your efforts to protect Minnesota consumers, including the amendment you achieved that eliminates conflicts of interest of credit rating agencies and your staunch of financial reform will provide immeasurable benefits for years to come.